

Memorandum

To: Panel Members Date: May 23, 2002

From: Diana Torres, Manager
Peter DeMauro, General Counsel Analyst: S. Godin

Subject: One-Step Agreement for **SheaHomes Southern California Division**
(www.sheahomes.com)

CONTRACTOR:

- Training Project Profile: SET - Workers Earning at Least State Average Hourly Wage
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Services
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
 - Company Wide: 2,223
 - In California: 1,672
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$99,840
- Substantial Contribution: \$0
- Total ETP Funding: \$99,840
- In-Kind Contribution: \$228,289
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Orange, Los Angeles
- Duration of Agreement: 24 months

SUBCONTRACTORS:

- CompUSA (Computer Skills training for \$22,500), Culver City, California
- Franklin Covey (Business and Continuous Improvement Skills topics for \$8,000), Brea, California
- Hyland Bay Company, Inc. (Continuous Improvement and Business Skills topics for \$14,300) , Lake Forest, California
- Jim Suth, Consultant (Business Skills training in Advanced Sales Skills for \$12,000) Danville, California
- Bob McClendon, Trainer (Continuous Improvement and Business Skills topics for \$16,800) Encinitas, California
- Alpha ITEC (Project Administration for 10 percent of earned funds not to exceed \$9,984) Jamul, California

THIRD PARTY SERVICES:

Alpha-ITEC assisted in conducting the training needs assessment and development of the following: Training Plan, Curriculum, Training Roll-out Schedule, and other application requirements for a flat fee of \$15,000.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

Agreement No.	Location (City)	Term	Agreement Amount	Amount Earned	% Earned
ET9-0855	San Diego	12/28/98- 12/27/00	\$120,666	\$57,583	48%*
ET00-0147	San Jose	12/01/99- 11/30/01	\$200,096	-0-	-0-**
ET01-0216	San Diego	12/26/00- 12/25/02	\$114,452	-0-	-0-***

* According to the ETP Contract Status report, the Contractor enrolled 97 trainees of the planned 101 trainees; 67 were retained, and 30 trainees were dropped. Contractor staff stated that the trainees that were dropped were former employees of United Development Company (UDC), which was purchased by the Contractor during the Agreement. Many of these employees were not able to adapt to the SheaHomes performance/measurement corporate culture, and subsequently left SheaHomes San Diego. This fact contributed to the large number of drops.

** A total reorganization of this facility's upper management occurred shortly after execution of the ETP contract. The new management team elected not to implement the training. The contract terminated before any training began.

*** Contractor terminated its Agreement with ETP on 10/19/01. Contractor representatives stated that company priorities had shifted due to adverse financial and economic conditions and that they were unable to fulfill the Agreement requirements. The aforementioned projects were at different facilities from the location/facility currently requesting ETP funds.

NARRATIVE:

This project was initially presented to the Panel at the April 2002 meeting; however, Panel Members had expressed some concerns over the performance of previous Shea Homes' ETP projects (at other facilities). The Panel determined that company representatives should be given the opportunity to address Panel's concerns and answer questions; therefore, the Shea Homes Southern California proposal was postponed until the May 2002 Panel Meeting.

Shea Homes Southern California Division is the Orange/Los Angeles County-based division of J.F. Shea Company of Walnut, California. Founded in 1876, J.F. Shea is a family-owned homebuilder and developer. First formed in 1968, the SheaHomes Division designs and constructs communities that consist of single-family and multi-family homes. SheaHomes Southern California Division's primary marketplace is in Orange and Los Angeles Counties and is comprised of both actively selling (newly constructed) communities and closed communities (owner occupied homes under warranty). The J.F. Shea Company employs 2,223 employees worldwide, 310 of who work in the Southern California Division (Orange and Los Angeles Counties).

SheaHomes does not meet the Panel requirements as a company that faces out-of-state competition. Therefore, this project will use Special Employment Training (SET) funds under Title 22, California Code of Regulations, U.I. Code Section 10214.5 (a), supporting training for frontline workers in occupations that pay at least the state average hourly wage in businesses difficult to serve under the Panel's standard project format. This project will provide funds for frontline workers* who meet the above section under the Legislation.

*As delineated in Title 22, California Code of Regulations, Section 4400. Definitions. (ee), Frontline Worker means an individual who meets one of the following criteria:

1. Is not exempt from overtime under state or federal law, providing he or she directly produces or delivers goods or services.
2. Is covered by a collective bargaining agreement, providing he or she directly produces or delivers goods or services.
3. Is exempt from overtime under state or federal law, providing he or she directly delivers goods or services.

Company employees proposed for training are frontline workers which include project managers, superintendents, customer service, sales, purchasing, land acquisition, marketing, field operations and design associates. Company representatives provided job descriptions and an organization chart during the development process to substantiate that the trainees met the ETP definition of frontline workers whose primary job responsibility is directly producing or delivering goods and/or services.

The recent downturn in the economy has had a detrimental effect on the residential home building industry. According to the company, skyrocketing insurance premiums (directly

NARRATIVE: (continued)

attributable to the 9/11 incident), significant decreases in prospective homeowners' capital, and escalating competition from out-of-state developers are all factors that have served to increase SheaHomes' overhead exponentially. SheaHomes states that its housing sales in 2001 accounted for approximately seven percent of the Southern California housing market. Since September 2001, the Contractor's volume of new home sales has decreased by twenty percent (from what the amount was for the same period last year), with further decreases anticipated for the remainder of 2002.

In order for SheaHomes to retain its dwindling market share and ultimately rebound from its current downturn, the company must take steps to transition to a High Performance Workplace. SheaHomes must develop a highly trained work force with the skills to provide superior quality, service, and shortened delivery times. Employees must become cross-functional and understand how a task completed by one individual affects all the other departments and divisions.

This training will provide the company's frontline workers with the competencies and tools to identify problems and offer solutions for process improvements. To retain market share amid decreasing home sales, SheaHomes' associates will need to exceed customer expectations by acquiring new skills and functioning as a team adept at providing seamless customer service. When California's home building industry was booming and the demand was higher than the supply, SheaHomes' marketing, sales, design, and customer service personnel were able to successfully function as mere order takers. Business Skills topics will now afford these employees the opportunity to become more knowledgeable and proficient in sophisticated sales techniques and customer service skills. Every upgrade option and additional home feature available to the SheaHomes homebuyer must be marketed and sold as value-added items to compensate for lower residential home sales volume.

Computer Technology is constantly evolving, and employees need training in the latest application skills and data base efficiencies. Computer Skills training will provide improved operational performance in areas such as customer satisfaction, operations, walk-throughs and home delivery.

This proposed ETP-funded project will provide 40 hours of training to 192 frontline workers from a Menu Curriculum consisting of Continuous Improvement, Business Skills, and Computer Skills topics. The Menu Curriculum is designed to promote effective teamwork, improve external and internal customer relations, increase sales, and provide training in the latest computer technology. Vendors and in-house trainers will provide Class/lab training. There is no SOST on this project. Alpha ITEC will provide project administration.

Supplemental Nature of Training

The company has certified in writing that the proposed training in Continuous Improvement, Business Skills, and Computer Skills is new training and supplemental to training that the company provides in its normal course of its business. SheaHomes currently provides new-hire orientation, safety training, and informal on-the-job training when needed. In the past, selected frontline workers have received basic sales and supervisory skills training. The company also

NARRATIVE: (continued)

encourages its employees to take advantage of its tuition reimbursement plan, which offers reimbursement of up to \$5,502 yearly per employee. SheaHomes' annual training budget is \$50,000.

The proposed ETP-funded training will be delivered through a structured and comprehensive training plan. Further, the proposed training will supplement existing training with formal, advanced level classes that the company would otherwise not be able to provide. The ETP-funded training will be specifically focused on moving the company to a High Performance Workplace.

Without ETP funding, SheaHomes would not be able to deliver the in-depth training to be able to retain their current market shares.

In-Kind Contribution

The Contractor's total in-kind contribution is \$228,289. Training costs and other training related expenses, which include training materials such as books and supplies, are projected to total \$9,889. Wages to be paid to employees while in training are estimated at \$218,400.

COMMENTS:

1. Project Superintendents, Assistant Superintendents and Assistant Managers included in the proposed Training Plan meet the Panel's definition of frontline workers whose primary job responsibility is *directly delivering goods or services*. Job description summaries of the aforementioned occupations are as follows:
 - Project Superintendent – is responsible for supervision of the residential construction projects undertaken by the Division. The Project Superintendent (PS) provides leadership of all Shea Homes staff assigned to the community. The primary responsibility of the PS is to coordinate the performance of the work among the various trades and professionals involved consistent with the construction schedule and sound construction practices. The PS shall also coordinate with the trade contractor Foreman, building official, and design professionals to assist all those involved in achieving such performance.
 - Assistant Superintendent – is responsible for assisting the Superintendent in managing residential projects undertaken by Shea Homes Southern California. The Assistant Superintendent (AS) may be asked to run a community, or complete specific tasks without the direct supervision of a Superintendent. The primary responsibility of the AS is to assist in coordinating the performance of the work among the various trades and professionals involved consistent with the construction schedule and sound construction practices.
 - Assistant Design Center Manager – is responsible for the efficient and effective performance of the Los Angeles/Ventura Design Center. Duties include monitoring sales, interiors and cut-off issues. Monitor Design Center profitability. Monitor customer service. Respond to homeowner inquiries as appropriate. Provide technical and creative support for the sales function.

NARRATIVE: (continued)

- Assistant Community Development Manager (ACDM) – is responsible for assisting Community Development Managers with all assigned aspects of the residential community development including permitting, plan development, budgeting, scheduling and general coordination from land acquisition through homebuilding until final bond exoneration. The ACDM is solely responsible for managing the division's bonds and for supporting the Director of Community Development with special district reimbursement projects.
2. The Contractor has certified in writing that no senior policy executives will be enrolled in the ETP-funded training.
 3. The Contractor states that each division of SheaHomes functions as a separate entity. Each division is individually responsible for its performance and operating budget. The Contractor further states that the past performance of other divisions within J.F. Shea should not serve as an indicator of SheaHomes' ability perform on the project for which ETP funding is now being requested. To ensure a successful project, SheaHomes has asked for a minimum number of class/lab training hours (40) without SOST. Furthermore, SheaHomes states that there is no planned reorganization for senior management, which negatively impacted the performance on previous SheaHomes projects from other divisions. Senior level executive staff at the have expressed their total commitment to ensuring the success of the requested ETP-funded training.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement if funds are available and the project meets Panel priorities. SheaHomes Southern California Division states that the proposed training will provide employees with the knowledge and skills necessary to respond to its customers' needs and move the organization to a high performance workplace.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
JOB 1	MENU Business Skills Computer Skills Continuous Improvement	192	40	-0-	-0-	\$520	*\$20.27 – \$45.43
					<u>Range of Hourly Wages</u>		
					40		
					<u>Prevalent Hourly Wage</u>		
					\$30.34		
					<u>Average Cost per Trainee</u>		
					\$520		
<u>Health Benefit used to meet ETP minimum wage:</u>					<u>Turnover Rate</u>	<u>% of Mgrs & Supervisors to be trained:</u>	
*Health benefits in the amount of \$1.20 per hour may be used to meet the SET Frontline worker minimum ETP wage of \$20.27 per hour for the Customer Service Associates.					14%	N/A	

SHEAHOMES SOUTHERN CALIFORNIA DIVISION
MENU CURRICULUM

HOURS
Class/Lab
40

Trainees will be provided any of the following:

CONTINUOUS IMPROVEMENT

Strategic Leadership

- Identify key leadership practices and Techniques
- Mastering communication for high performance workplace
- Communication and documentation practices among senior leadership team
- Establishing outcome-based performance management
- Developing the "accountability factor"
- Communicating change
- Assuming organization wide implementation of strategies
- Defining core competency areas for team success
- Goal Setting
- Decision Making Skills
- Meeting Management
- Effective leadership communication

Process Documentation

- Process Documentation
- Problem identification and recommended solutions
- Standard documentation tools
- Flowcharting
- Best practices checklist
- Quality management system identification & documentation

7 Habits

- Increasing personal and professional effectiveness
- Creating and live an empowering vision
- Developing empathic and proactive communication
- Creating a healthy interdependent organization
- Developing leadership skills at all levels of the organization
- Building trust and cooperation among and between departments
- Creating change readiness throughout the organization

BUSINESS SKILLS

- Advanced Customer Service Skills
- Negotiation Skills
- Conflict Resolution Skills
- Team-Building Skills

Advanced Sales Skills

- Dealing with customer expectations
- Benefit selling
- Up selling & Closing Skills
- Developing standardized consultative approach
- Understanding specific needs of today's changing market

COMPUTER SKILLS

- Word Processing
- Spreadsheets
- Databases
- Presentations
- Scheduling